

HEALTH SERVICES IMPROVEMENT PROGRAM

(CR-0120)

EXECUTIVE SUMMARY

BORROWER AND

GUARANTOR: The Republic of Costa Rica

EXECUTING AGENCY: The Caja Costarricense de Seguro Social [Costa Rican Social Security Fund] (CCSS), with the cooperation of the Ministry of Health

AMOUNT AND SOURCE:

IDB:	US\$42 million (OC)
Local counterpart funding:	US\$18 million
Total:	US\$60 million

TERMS AND CONDITIONS:

Amortization period:	25 years
Disbursement period:	4 years
Interest rate:	variable, subject to financing from the Intermediate Financing Facility (IFF). This financing would be applied to a portion of the loan equivalent to US\$28 million
Inspection and supervision:	1% of the loan amount
Credit fee:	0.75% on the undisbursed balance

OBJECTIVES: The principal purpose of the program is to support institutional reforms in the health sector that will make it possible to improve efficiency and effectiveness in the provision of services in the context of public-sector reform. The program's specific objectives are to: (i) design and implement institutional reforms to enable the Ministry of Health (MINSa) to discharge its functions as the sector's lead agency and ensure a more rational pattern of resource allocation, one that avoids duplications among institutions and programs; (ii) consolidate primary health care programs to achieve a more efficient coverage of services; and (iii) reduce inequalities in the access to basic health services by giving priority to physical investments to strengthen the functional capabilities and efficiency of the health services network in the country's low-income areas.

DESCRIPTION: The funding for the program would be used to finance the following components: (i) restructuring of the Ministry of Health as lead agency to develop its

ability to plan, conduct, monitor and evaluate the sector's activities; (ii) the integration of primary care services, which consists of: (a) transferring all health centers and stations to the CCSS to eliminate duplication in primary services and administrative structures; (b) consolidating the primary care services by expanding, remodeling, and/or replacing 119 health stations (25% of the network) and 11 health centers (10% of the network) in underserved areas of the country; (c) enhancing the efficiency of the hospital system by replacing the Alajuela Hospital; and (d) strengthening the CCSS financially to provide it with the funding required to operate the facilities transferred to it.

The sector reforms outlined above are an integral part of the government reforms to be instituted by the Costa Rican authorities. The government reform program is aimed at improving the efficiency of the public sector through a restructuring of institutions engaged in duplicate activities and through the privatization of public enterprises and services which are not regarded as vital to the performance of public functions. In addition, the reform program seeks to reduce redundant public-sector personnel by approximately 20% during 1991-1994. The government reform program will be supported by the World Bank's structural adjustment program III (PAE III) and the IDB's public sector reform program (CR-0025).

It should be noted that the operation proposed herein is a fundamentally important input for World Bank support in the health sector. The World Bank is considering a sector program to complete health-sector reforms in the following areas: (i) readjustment of institutions' financing systems (other than MINSA's); (ii) improvement of the sectoral information system (other than MINSA's); (iii) adjustment of the CCSS's health-care model; and (iv) administrative decentralization of the CCSS.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environmental Management Committee, at its meeting of November 5, 1990, classified this as a Category III operation.

BENEFITS:

The program is expected to generate the following benefits: (i) better resource allocation and avoidance of duplication in activities and administration as a result of the institutional reforms; (ii) wider population coverage and greater efficiency in the delivery of services as a result of integration of direct health services to individuals; (iii) improved service to users as a result of tighter quality controls by the lead agency; and (iv) greater equity in

the health-care delivery system because of a sharper focus on low-income population groups.

RISKS:

The main risks of the program are: (i) that the process of public-sector reform bogs down because of a lack of political consensus and the reforms envisaged are not implemented; and (ii) that the government fails to make timely delivery of the funds required to enable the CCSS to absorb the transfer of health centers and stations.

These risks are expected to diminish, however, since, as stated above, the reforms proposed under this operation are also an integral part of the government reforms supported by PAE III, currently being considered by the World Bank, and of the IDB's public sector reform program (CR-0025). Accordingly, the restructuring of MINSA and the consolidation of services are to be implemented as part of the government reforms. Moreover, the government has already started the reform process in the health sector by integrating the health services in various regions of the country.

In order to make certain that the CCSS has adequate resources at its disposal for operating the health centers and stations efficiently, clauses committing the government to making the necessary transfers of funds will be included in the loan contract.

**THE BANK'S
COUNTRY STRATEGY:**

The Bank's strategy for Costa Rica seeks to support reactivation of the country's economy through: (i) consolidation of commercial and financial liberalization with emphasis on removal of sectoral obstacles to private investment, definition of new fields for private-investment participation, and rehabilitation and expansion of transport infrastructure for exports and marketing; (ii) improvement of the levels of attention to basic social needs, with consideration given to a sharper focus on social spending under decentralized systems and strengthening of the public-investment planning system; and (iii) adjustment of employment-absorption conditions, with due consideration for a new salary-regulation framework and labor-force training and skill-enhancement programs.

The health services improvement program is responsive to this strategy, inasmuch as it would: (i) support the implementation of institutional reforms in the sector that would strengthen the ministry's ability to plan, direct and evaluate the use of sector resources and provide retraining to appropriate staff for this purpose; (ii) accord priority to investments

to benefit the country's lowest-income population; and (iii) supplement the administrative decentralization efforts currently being made by the CCSS and MINSA.

SPECIAL ASPECTS:

As of the date of approval of the operation, program-related expenditures will have been incurred in connection with the preparation of the Ministry of Health reorganization component. In this regard, up to US\$100,000 of the expenditures pertaining to the design studies on this component will be financed retroactively (see paragraph 3.29).

In addition, expenditures totaling up to the equivalent of US\$500,000 incurred for preparation of the final designs for the Alajuela Hospital will be recognized as part of the local counterpart contribution (see paragraph 3.30).